

Greater Cincinnati Convention and Visitors Bureau, Inc.

Financial Statements
And Additional Financial Information
December 31, 2014 and 2013
(with Independent Auditors' Report)



Dave Yost • Auditor of State

Board of Directors
Greater Cincinnati Convention and Visitors Bureau, Inc.
525 Vine Street
Suite 1500
Cincinnati, Ohio 45202

We have reviewed the *Independent Auditors' Report* of the Greater Cincinnati Convention and Visitors Bureau, Inc., Hamilton County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2014 through December 31, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Greater Cincinnati Convention and Visitors Bureau, Inc. is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

September 11, 2015

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Greater Cincinnati Convention and Visitors Bureau, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Greater Cincinnati Convention and Visitors Bureau, Inc., which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Greater Cincinnati Convention and Visitors Bureau, Inc. as of December 31, 2014

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and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2015 on our consideration of Greater Cincinnati Convention and Visitors Bureau, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Greater Cincinnati Convention and Visitors Bureau, Inc.'s internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 16, 2015

Greater Cincinnati Convention and Visitors Bureau, Inc.
 Statements of Financial Position
 December 31, 2014 and 2013

Assets	<u>2014</u>	<u>2013</u>
Cash and cash equivalents	\$ 1,797,329	1,131,864
County Hotel/Motel excise tax receivable	1,370,812	1,265,579
Program receivables	16,068	360
Membership receivables	35,720	35,560
General and suppliers' current and prior year subscriptions and sundry advances	<u>11,022</u>	<u>55,766</u>
Total receivables	1,433,622	1,357,265
Less allowance for doubtful accounts	<u>(38,943)</u>	<u>(38,943)</u>
	1,394,679	1,318,322
Prepaid expenses	<u>37,294</u>	<u>47,253</u>
Total Current Assets	3,229,302	2,497,439
Equipment	711,274	646,067
Less accumulated depreciation	<u>(607,959)</u>	<u>(564,749)</u>
	<u>103,315</u>	<u>81,318</u>
Total Assets	\$ <u>3,332,617</u>	<u>2,578,757</u>
Liabilities and Net Assets		
Current liabilities:		
Current portion of capital lease	\$ 13,164	11,330
Accounts payable	286,966	234,458
Accrued payroll	428,687	464,130
Payroll taxes withholding	2,472	2,472
Deferred rent expense	37,553	60,553
Deferred membership income	41,408	25,436
Grants payable	<u>449,271</u>	<u>411,793</u>
Total Current Liabilities	1,259,521	1,210,172
Long Term Obligations:		
Capital lease, net of current portion	<u>22,376</u>	<u>35,540</u>
Total Liabilities	<u>1,281,897</u>	<u>1,245,712</u>
Net Assets:		
Unrestricted	839,915	607,383
Temporarily restricted	<u>1,210,805</u>	<u>725,662</u>
Total net assets	<u>2,050,720</u>	<u>1,333,045</u>
Total Liabilities and Net Assets	\$ <u>3,332,617</u>	<u>2,578,757</u>

See accompanying notes to the financial statements.

Greater Cincinnati Convention and Visitors Bureau, Inc.
Statements of Activities
Years Ended December 31, 2014 and 2013

	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues:						
Gross County Hotel/Motel excise tax revenue	\$ 6,200,092	-	6,200,092	5,874,344	-	5,874,344
Government funding	-	1,696,016	1,696,016	-	1,237,034	1,237,034
Income from members' subscriptions	299,739	-	299,739	307,430	-	307,430
Registration services	2,441	-	2,441	2,679	-	2,679
Passkey	31,200	-	31,200	58,379	-	58,379
Corporate sponsorships	192,362	-	192,362	140,475	-	140,475
Interest income	3,490	-	3,490	1,299	-	1,299
Other income	11,757	-	11,757	2,635	-	2,635
In-kind	21,276	-	21,276	25,784	-	25,784
Net assets released from restrictions	<u>1,210,873</u>	<u>(1,210,873)</u>	<u>-</u>	<u>822,688</u>	<u>(822,688)</u>	<u>-</u>
Total revenues	<u>7,973,230</u>	<u>485,143</u>	<u>8,458,373</u>	<u>7,235,713</u>	<u>414,346</u>	<u>7,650,059</u>
Expenses:						
Convention related expenditures:						
Convention sales and destination services	2,811,652	-	2,811,652	2,389,223	-	2,389,223
Convention services	342,013	-	342,013	401,687	-	401,687
Public relations and marketing	<u>1,352,344</u>	<u>-</u>	<u>1,352,344</u>	<u>1,203,567</u>	<u>-</u>	<u>1,203,567</u>
	4,506,009	-	4,506,009	3,994,477	-	3,994,477
General and administrative	1,010,041	-	1,010,041	928,532	-	928,532
In-kind	21,276	-	21,276	25,784	-	25,784
Initiatives:						
Grant to Greater Cincinnati Sports Corporation	136,475	-	136,475	132,600	-	132,600
Grant to Regional Tourism Network	<u>2,066,897</u>	<u>-</u>	<u>2,066,897</u>	<u>1,948,415</u>	<u>-</u>	<u>1,948,415</u>
	<u>2,203,372</u>	<u>-</u>	<u>2,203,372</u>	<u>2,081,015</u>	<u>-</u>	<u>2,081,015</u>
Total expenses	<u>7,740,698</u>	<u>-</u>	<u>7,740,698</u>	<u>7,029,808</u>	<u>-</u>	<u>7,029,808</u>
Change in Net Assets	232,532	485,143	717,675	205,905	414,346	620,251
Net Assets at Beginning of Year	<u>607,383</u>	<u>725,662</u>	<u>1,333,045</u>	<u>401,478</u>	<u>311,316</u>	<u>712,794</u>
Net Assets at End of Year	<u>\$ 839,915</u>	<u>1,210,805</u>	<u>2,050,720</u>	<u>607,383</u>	<u>725,662</u>	<u>1,333,045</u>

See accompanying notes to the financial statements.

Greater Cincinnati Convention and Visitors Bureau, Inc.
 Statements of Cash Flows
 Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Change in net assets	\$ 717,675	620,251
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	45,079	36,717
Bad debt recovery	-	(36,725)
Changes in assets and liabilities:		
Accounts receivable and advances-net	(76,357)	228,890
Prepaid expenses	9,959	(6,710)
Accounts payable	33,508	(19,604)
Accrued payroll	(35,443)	36,811
Payroll taxes withholdings	-	(1,628)
Deferred rent expense	(23,000)	(19,354)
Deferred membership income	15,972	(20,932)
Grants payable	<u>37,478</u>	<u>5,991</u>
Net cash provided by operating activities	<u>724,871</u>	<u>823,707</u>
Cash flows from investing activities:		
Purchase of equipment	<u>(48,076)</u>	<u>(5,590)</u>
Cash flows from financing activities:		
Net change in lines of credit	-	(500,000)
Payments on capital lease obligation	<u>(11,330)</u>	<u>(5,865)</u>
Net cash used by financing activities	<u>(11,330)</u>	<u>(505,865)</u>
Net increase in cash and cash equivalents	665,465	312,252
Cash and cash equivalents at beginning of year	<u>1,131,864</u>	<u>819,612</u>
Cash and cash equivalents at end of year	\$ <u>1,797,329</u>	\$ <u>1,131,864</u>
Supplemental information:		
Purchase of equipment under capital lease obligation	\$ <u>-</u>	<u>52,735</u>
Portion of purchased equipment in accounts payable	\$ <u>19,000</u>	<u>-</u>
Interest paid	\$ <u>6,413</u>	<u>3,790</u>

See accompanying notes to the financial statements.

1. SUMMARY OF ACCOUNTING POLICIES:

Greater Cincinnati Convention and Visitors Bureau, Inc. (the Bureau) is a sales, marketing, and service organization and impacts the Greater Cincinnati area economy through convention, trade show, and visitor expenditures.

Cash and cash equivalents

Cash and cash equivalents include highly liquid investments with a maturity of three months or less when purchased. The Bureau maintains its cash balances in demand deposit accounts, money market funds, and certificates of deposit primarily with commercial banks in Ohio that, at times, may exceed federally insured limits. The Bureau has not experienced any losses in such accounts and the Bureau believes it is not exposed to any significant credit risk on cash.

Allowance for doubtful accounts

The allowance is determined by considering the length of time receivable balances are outstanding and the companies' ability to pay. The outstanding balances are reviewed monthly and ability to collect is determined. The allowance is decreased when receivables are deemed to be uncollectible, and payments subsequently received on such receivables restore the allowance for doubtful accounts. The allowance for doubtful accounts was \$38,943 at December 31, 2014 and 2013.

Revenues

The Bureau receives revenues generated from a 3% excise tax on hotel rooms in Hamilton County, Ohio and other governmental funds. These revenues are authorized under regulations approved by the Hamilton County Board of Commissioners under legislation approved by the Ohio legislature. Membership and other fees are recognized as earned. Contributions and grants are recognized when awarded. Sponsorships for various programs are deferred and recognized when the event or program has occurred.

Equipment

Equipment is recorded at cost. Costs of maintenance and repairs are charged to expense as incurred. Major improvements and renewals, in general, are capitalized.

The estimated useful lives are:

Furniture	10 years
Office equipment	5 years
Computer equipment	3-5 years

Depreciation is provided on the straight-line method over the estimated useful lives of the assets. Depreciation expense was \$45,079 and \$36,717 in 2014 and 2013, respectively.

Deferred membership income

Deferred membership income represents collections in the current year that pertain to billings of membership revenues attributable to the following year.

Grants payable

As a part of their mission to support the region, the Bureau has pledged to support certain organizations and initiatives. Amounts pledged to these organizations are recorded when the pledge or grant is made.

Temporarily restricted net assets

The Bureau reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Bureau reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Bureau reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Permanently restricted net assets

Net assets that are subject to donor-imposed stipulations that require the assets to be maintained permanently by the Bureau are recorded as permanently restricted net assets. Generally, the donors of these assets permit the Bureau to use all or part of the income earned on related investments for general or specific purposes. The Bureau does not currently have permanently restricted net assets.

Donated materials and services

The Bureau records donated services, including donated rent, as revenue in the financial statements at their estimated fair value with a corresponding charge to donated services. Donated services are not recorded if no objective basis is available to measure the value received by the Bureau.

Income tax status

The Internal Revenue Service has ruled that the Bureau qualified under Section 501(c)(6) of the Internal Revenue Code (IRC). Once qualified, the Bureau is required to operate in conformity with the IRC to maintain its qualification. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Bureau's exempt status. The Bureau has not engaged in any activity which would expose it to unrelated business income taxes.

Uncertain tax positions

The Bureau follows the provisions for *Accounting for Uncertainty in Income Taxes*. Those provisions clarify the accounting and recognition for income tax positions taken or expected to be taken in the Bureau's income tax returns. The Bureau's income tax filings are subject to audit by various taxing authorities. The Bureau's open audit periods are 2011–2013. The Bureau's policy with regard to interest and penalties is to recognize interest through interest expense and penalties through other expense. In evaluating the Bureau's tax provisions and accruals, future taxable income, and the reversal of temporary differences, interpretations and tax planning strategies are considered. The Bureau believes their estimates are appropriate based on current facts and circumstances.

Use of estimates in financial statements

In preparing financial statements in conformity with generally accepted accounting principles, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent events

The Bureau evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through June 16, 2015, the date on which the financial statements were available to be issued.

2. REVENUE CONCENTRATION:

The Bureau is dependent upon the Hotel/Motel excise tax revenue levy. Tax levy revenues were 73% and 77% of total revenue for the years ended December 31, 2014 and 2013, respectively. The receivables from the County were 98% and 96% for the years ended December 31, 2014 and 2013, respectively. A discontinuance of this tax levy would severely affect the operation of the Bureau.

3. EMPLOYMENT AGREEMENT:

The Bureau has signed an employment agreement with its CEO providing base and incentive compensation through February 3, 2019.

4. OPERATING LEASES:

The Bureau has operating leases for office space, furniture and office equipment which expire at various dates through 2020. The future minimum rental commitments as of December 31, 2014 for the non-cancellable leases are as follows:

2015	\$ 206,596
2016	169,513
2017	17,744
2018	17,750
2019	15,964
Thereafter	<u>10,851</u>
	\$ <u>438,418</u>

Total rental expense was \$169,464 and \$167,589 in 2014 and 2013, respectively. Total rental expense excludes in-kind rent, which is discussed in Note 11.

Included within the future minimum rental commitments is a lease signed subsequent to year end, commencing in June of 2015 through August 2020.

5. CAPITAL LEASE:

In 2013, the Bureau acquired equipment under a capital lease agreement. The lease expires in May 2017. Capital leased assets included in equipment have costs totaling \$52,735 and accumulated depreciation totaling \$26,368 and \$8,789 at December 31, 2014 and 2013.

Future minimum lease payments required under the lease are as follows:

	2015	\$ 17,643
	2016	17,643
	2017	<u>7,352</u>
Total minimum lease payments		42,638
Less: amount representing interest		<u>7,098</u>
		35,540
Less: current portion of lease obligations		<u>13,164</u>
Long-term portion of lease obligations		<u>\$ 22,376</u>

6. REVOLVING LINE OF CREDIT:

During 2013, the Bureau entered into a \$250,000 line of credit agreement that bears interest on a modified LIBOR plus 3.5% (3.66% at December 31, 2014), with principal due May 15, 2015. At December 31, 2014 and 2013, there was no outstanding balance against the line. The line is secured by all the assets of the Organization. Subsequent to year end the Bureau amended its line of credit agreement, which now bears interest at the Bank's prime rate plus 2.65%, with principal due May 16, 2016.

7. RETIREMENT PLAN:

The Bureau has a defined contribution 401(k) savings plan. The defined contribution 401(k) savings plan allows the Bureau to make matching contributions. The plan covers substantially all employees who meet certain eligibility requirements as to age and length of service. Bureau matching contributions are provided up to 3% for the first 3% and 1.5% of the next 3% of eligible employee compensation with certain limitations. The expenses for 2014 and 2013 were \$89,510 and \$86,605, respectively.

8. FUNCTIONAL EXPENSES:

The Bureau promotes the Greater Cincinnati area economy through its sales and marketing efforts. Expenses related to providing these program services and supporting functions for the year ended December 31 are as follows:

	<u>2014</u>	<u>2013</u>
Program services	\$ 6,730,657	6,101,276
General and administrative	<u>1,010,041</u>	<u>928,532</u>
	<u>\$ 7,740,698</u>	<u>7,029,808</u>

9. RELATED PARTY:

The Bureau is affiliated with the Spirit of Cincinnati (Spirit) which is an organization committed to education programs concerning the City of Cincinnati. At December 31, 2014 and 2013, the Bureau owed Spirit \$243 and \$34,221, respectively. At December 31, 2014, the Bureau had a receivable from Spirit of \$235.

10. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets available for program restrictions were \$1,210,805 and \$725,662 at December 31, 2014 and 2013.

During 2014 and 2013, net assets released from restriction were \$1,210,873 and \$822,688, respectively.

11. DONATED SERVICES AND IN-KIND DONATIONS:

Contribution revenue recognized during 2014 and 2013 from donated services and in-kind donations consisted of the amounts noted below.

	<u>2014</u>	<u>2013</u>
Professional services, supplies, and material	\$ -	4,508
In-kind rent	<u>21,276</u>	<u>21,276</u>
Total	\$ <u>21,276</u>	<u>25,784</u>

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Greater Cincinnati Convention and Visitors Bureau, Inc.:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Greater Cincinnati Convention and Visitors Bureau, Inc., which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 16, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Greater Cincinnati Convention and Visitors Bureau, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Greater Cincinnati Convention and Visitors Bureau, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Greater Cincinnati Convention and Visitors Bureau, Inc.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Greater Cincinnati Convention and Visitors Bureau, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Greater Cincinnati Convention and Visitors Bureau, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 16, 2015



At Clark Schaefer Hackett, we are the sum of our individuals. Each team member's training, experience and drive is well-suited to each client's needs and goals. We are committed to providing insightful and flexible service – from efficient compliance to sophisticated consulting – to help each client prosper today and plan for future success.



Dave Yost • Auditor of State

GREATER CINCINNATI CONVENTION AND VISITORS BUREAU

HAMILTON COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 24, 2015**